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ECONOMIC RELATIONS BETWEEN AFRICA AND EUROPE: HOW CAN THEY CONTRIBUTE TO OVERCOMING INEQUALITY?

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Overcoming Inequality as a Political Challenge

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Over the past ten years, the EU and Africa have built a strong partnership, enshrined in the Joint Africa-EU Strategy (JAES). Today the European Union (EU) is collectively Africa's main foreign investor, its principle trading partner, a key security provider, and its most important partner in development and humanitarian assistance. At the end of November, 2017, African and European Heads of State will meet in Abidjan for the 5th Africa-EU Summit. This high-level event will discuss African-European partnership and start debating the renegotiation of the Cotonou Partnership Agreement (CPA), which remains a highly relevant framework.

Since the mid-1990s African countries have been experiencing a period of increased GDP growth and real GDP per capita growth. Inflows of foreign direct investment (FDI) into Africa have also increased due to investment in African resources and growing African markets. More investment in services, construction and consumer sectors indicate a discreet shift to more labour-intensive industries. Economic performance and competitiveness has also improved in some African countries. Moreover, Africa is diversifying, the digital transformation is fast, and African enterprises have started to integrate themselves into regional and global value chains (GVCs).

Still, these encouraging trends are often fragile and not yet inclusive or sustainable enough to offer better prospects for a large part of the population, and especially for Africa's growing number of young people. Many countries have been unable to reform and to recover from conflict and from fragility. Many countries still face severe constraints on their sustainable economic development and overall economic growth on the African continent is slowing down. Poverty is widespread and inequality is on the rise. Today every country in Africa is less equal than it was in 2010; the trickle-down benefits of economic growth have been relatively small. Branko Milanovic (2016) shows that the concentration of wealth in Africa in the hands of the wealthy is a long-run global trend. Africa's long-term decline towards inequality is the outcome of an increasingly capital-driven economy, which spur GDP growth but partly drive inequality. IMF and World Bank have forecast an average of about 3% economic growth for sub-Saharan Africa over the couple of years, though it warned that "extreme poverty remains high across the region". Their reports show deepening inequality across the continent.

By 2050, Africa's population will be 2.4 billion people. Sub-Saharan Africa (SSA) needs to create 18 million new jobs each year up to 2035 to absorb new labour market entrants, compared to the three million formal jobs created during the last years. Given the small size of the formal sector a majority of young people will be forced to work in the informal economy. The way these changes will be managed politically and economically will define the future of the continent. The causes of rising inequality in Africa are a matter for debate also in the EU-Africa negotitions.

Africa-EU relationship is forced to redefine their partnership in 2017, mainly due to the following reasons:

- In a changing global environment, Africa is experiencing profound economic, political and societal changes, and its importance to the internal and external dimensions of Europe's security and prosperity is becoming ever more obvious. Europe and Africa can gain from increased political and economic cooperation.
- Africa's deep structural transformation requires prospective and fundamental realignment, incl. the concepts and strategies beyond 'traditional' development issues.
- Trade relations: The African Union (AU) and the African states identify external trade as one of the key objectives, incl. increased intra-regional trade in Africa.

As overcoming inequality is an overarching topic, this paper will deal with the following main question: How can economic relations between Africa and Europe contribute to overcome inequality and asymmetries and reduce inequality, poverty and unemployment? The first chapter outlines major tasks of EU-African partnership. The second chapter explains the dynamics of inequality on the African continent and why growth in SSA is not closely linked to reduced inequality. The third chapter evaluates growth and structural change of African economies. It will deal with new trends in African development and why it is necessary that EU-African cooperation requires a revision of their agenda, regarding industrial development and employment creation. The conclusion of the paper will deal with strategies and concepts for economic cooperation having in mind that inequality is related to poverty, unemployment and limited life chances of many Africans, who are forced to migrate and survive in informal economies.

1. Partnership reloaded

There is a common perception among Africans that the relationship between Europe and Africa is not a partnership between equals. In fact, there is a strong feeling that the EU defines the agenda and the rules of the game. In reality Europe is divided, it does not speak with one voice, several EU member states have their own bilateral policies, sometimes in contradiction with EU-African policies. Developing the partnership requires more than overlapping and competing agreements, such as the JAES, the ACP-EU Cotonou Agreement, the European Neighbourhood Policy towards North Africa, and the South African Trade, Development and Cooperation Agreement. Also on the African side many voices are heard. Africa's strategic ideas for future cooperation with Europe are not easily understood, and the institutional capacity of the AU is rather weak. European and African actors repeatedly stress their desire to build a partnership beyond a donor-recipient relationship. Nevertheless, the vested interests created by the aid industry make it difficult to end the dependency syndrome. Europe and Africa are forced to work together. What is needed is an agreement based on mutual interests and shared global agendas, to tackle the enormous challenges ahead. It is time to build a strong political and economic partnership that is more than a continuation of the existing framework (Laporte 2017). The Africa Agenda 2063 and the Sustainable Development Goals (SDGs) should be part of any future strategic orientation.

2. Inequality on the rise

The last 15 years of high SSAs growth has seen levels of income inequality remained broadly unchanged. Some countries experienced declining poverty. Yet, this was mainly due to a gradual development of poverty incomes to income levels just above the poverty line, while few countries experienced a substantial expansion of the "middle class." Within SSA, income inequality is highest among middle-income and oil-exporting countries, such as South Africa and Angola. SSA also remains one of the regions with the highest gender inequality. Over the last years, there has been strong growth in Ethiopia, Rwanda, Cote d'Ivoire, Mozambique, Zambia and Tanzania. Nevertheless, poverty is rising. Growth seems to be delinked from the majority of the African population. In recent years, per capita income growth has not been sufficient to reduce income inequality in SSA. Indeed, on average for the region, higher GDP per capita growth appears to have been accompanied by higher inequality.

While the high levels of income inequality in SSA are partly driven by the structural conditions, such as the dependence on resource production, low-level of diversification and industrialisation, widerspread informal economies, low agricultural productivity and weak integration in markets, the evidence also points to policies that influence the access of poor households and enterprises to opportunities in growing markets, and in education and health. Education inequality has declined, and health indicators generally improved. However, average educational attainment remains low compared to other regions. In addition, access to quality education and health care remains by and large restricted to the wealthy due to insufficient resources to pay for these services, and limited geographical access (especially in rural areas).

3. Africa's rapid growth and structural change

Large sections of the sub-Saharan population have experienced an improvement in their quality of life over the past ten years; some of the Millennium Development Goals were even reached (school enrollment rate, life expectancy, health care). But the main goal, to decrease the number of people living in poverty by 50 percent, has not been met. Most of the 49 countries in SSA have registered positive economic growth in recent years. Gross domestic product (GDP) growth rates as well as export growth rates have been quite high. However, scholarly analyses have also clearly shown which factors are impeding the economic advancement of SSA.

Economic growth varies greatly from country to country. The more fragile states (approximately 25 percent of all African countries)[1] are recording growth rates of less than four percent, and only some countries top six percent. Using the growth acceleration criteria laid out by Hausmann, Pritchett and Rodrik (2005), sustainable growth can be established in only half of African countries. Many African countries have also been able to achieve high growth rates in exports, but Africa's share of their exports of manufactured goods is especially low, having sunk below one percent.

Will growth of the last several years prove sustainable? The following points indicate that sub-Saharan Africa faces immense challenges in this regard: Future growth perspectives seem to be less optimistic compared to the last decade. SSA growth is projected to rise only about three percent until 2020, and African output growth is expected only moderately to exceed population growth. Many commodity exporters still need to adjust fully to structurally lower commodity revenues because commodity prices remain low. Many of the largest non-resource-producing countries will find it increasingly hard to sustain growth through higher public capital spending, in the face of rising public debt. Rising indebteness is becoming a cause for concern in SSA. On average, the ratio of public debt to GDP has increased to an average of 42 percent of GDP in 2016.

African countries in general face external and internal challenges. On the internal side, further delays in economic adjustment policies and political developments pose risks in some countries. On the external side, the global outlook comes with significant uncertainties and downside risks (fiscal policy easing and expected rise of interest rates in the USA and EU).

As was demonstrated high growth rates are not necessarily accompanied by a structural transformation towards a modern economy, resulting in the creation of jobs in the industry sector.

[1] Based on IMF and World Bank criteria, laid down in their resp. African economic outlook.

On the contrary, in many African countries agricultural migrant workers are employed in the low-productivity informal urban services sector. On average, less than four per cent of the population is employed in the manufacturing industry. In short, African economies are characterised by three main trajectories: (1) resource dependence with a capital-intensive form of production and limited employment generation, (2) small manufacturing sectors, and (3) informal labour in the services sectors. The informal economy is estimated to account for 61 per cent of urban employment and 93 per cent of all new jobs created overall in sub-Saharan Africa. This dynamic reveals a tendency not only towards large capital-intensive local and foreign companies, but also towards microenterprises in the low-productivity, traditionally labour-intensive informal sector and the existence of only a small medium-sized enterprise sector.

In general SSA faces huge challenges and chances:

- In most countries, the growth process was triggered by an increased demand for natural resources and agricultural products. These countries can profit as long as they engineer a structural change toward industrialization. They have access to the resources they need in order to diversify, but many countries find themselves stuck in a “resource trap”.
- African agriculture and small and medium-sized enterprises (SME) need to be developed. They have demonstrated marginal growth, and almost no growth in productivity has been recorded in the agricultural sector. Due to the low inflow of FDI in the processing and technology-intensive sectors, technology transfer is limited. Increasing productivity represents an important requirement to compete on a global level.
- With the exception of exporting natural resources, sub-Saharan African economies play a small role in the global economy. This marginalization limits opportunities for broader-based foreign trade. A stronger integration into GVCs would heighten the demand for African labour and create new employment opportunities.
- Diversification, especially in terms of the composition of exports, is an important factor supporting the resilience of periods of growth in the region. A high level of the share of exports of manufacturing products appears to be particularly beneficial, presumably because manufacturing exports are associated with higher value-added content and less volatile prices. Countries with relatively high levels of product diversification are enjoying ongoing growth accelerations.
- In most SSA countries, the infrastructure is insufficient, even though improvements have been made over the last years. The often poor physical infrastructure (roads, ports, airports, railways, electricity) has limited development of domestic and regional markets and of trade. Removing infrastructure deficits can be seen as significant.

For a long time Africa’s FDI inflows and growth were centred on natural resources and capital intensive sectors. However, the structure of FDI is starting to change and more foreign and local investment in services, construction and consumer sectors indicate a discreet shift to more labour-intensive industries. FDI in manufacturing, construction, trade services, transport, ICT, etc., has resulted in growing employment and positive labour productivity growth. This is mainly the case in urban hubs and in sectors that are integrated in GVCs (car production, food production, ICT sector, horticulture, textiles, etc.). Among all the jobs directly created by FDI in Africa between 2003 and 2014, 83 per cent were located in cities. Over the same period, FDI in manufacturing is estimated to have directly created more than 646.000 jobs; FDI in services, 281.000 jobs; FDI in high-tech, 159.000 jobs; and FDI in resources, 220.000 jobs. Productivity growth in these sectors is the sine qua non of long-term development. Generally, the stronger integration of African countries into GVCs may also foster the absorption of technology and skills from FDI, and thereby enhance structural change and promote inclusive growth.

4. Recommendations

Fifteen years after the CPA was signed, ACP-EU cooperation has not achieved its stated objectives. What remains is an asymmetrical partnership restricted to governments and based largely on unilateral aid flows. The challenges confronting Africa-EU cooperation are not simply a question of 'improving implementation'. The appropriateness and effectiveness of the framework itself is the core issue.

There is a widely shared acknowledgement of the timeliness and importance of redefining the EU-Africa partnership in view of the challenges the two continents face. Cooperation with Africa had become a stronger priority for Europe, not just because of the challenges refugees and migrants pose for EU member states and their domestic constituencies, but also because of economic opportunities and competition with China.

Economic trends that shape Africa and to some extent Europe (climate change; rural-urban migration, digitalization, and demographic change) are not sufficiently reflected in the EU's and African approaches for strategic cooperation and in the prioritization by decision makers. What should be emphasised is that the relationship between the two continents should go beyond development cooperation and focus more on trade, investment, technological partnership and employment. In doing so, the historical donor-recipient relationship should be transformed towards an interest-driven approach of mutual engagements of African and European states, civil society, trade unions and business, exploring the scope for joint strategic activities. The question is no longer what Europe could do *for* Africa but rather what Europe could do *with* Africa and/or what Africa could do with Europe. The Africa Agenda 2063 and the Sustainable Development Goals should form the core of any future strategic orientation.[2]

Which are the main objectives that can support employment creation, poverty reduction and thus tackle the problem of inequality? There are many possibilities, but the focal points are trade, support of structural transformation and direct and indirect measures to reduce inequality, which will be dealt within this paper.

1. Reduce inequality

Many analyses show that high inequality has had a detrimental effect on growth performance primarily in low-income countries. Weaker infrastructure, lower levels of investment in fixed and human capital, higher dependency ratios, and lower quality of institutions were key factors explaining this growth shortfall. Reducing infrastructural deficits (access of much more people to electricity, roads, clean water), higher investment in education and vocational training and getting more unemployed to work could boost SSAs average annual per capita GDP growth substantially.

Despite some progress in reducing income inequality in SSA over the last 20 years, Africa continues to be characterized by comparatively high levels of inequality. Addressing inequality could yield important growth payoffs. Given that inequality varies from country to country, and in view of the multiple factors driving inequality, policies must be tailored to country-specific situations and take

[2] The paper does not include a full list of activities, major ideas and recommendations were formulated in JAES, the CPA and many other strategy documents.

into account administrative capacity and potential trade-offs. In the context of efforts to achieve the Millennium Development Goals, good progress has been made in alleviating poverty as well as boosting primary school enrollment. Building on this progress, SSA should accentuate its efforts to reduce inequality in support of more rapid and inclusive development in the context of the Sustainable Development Goals. Carefully designed policies are key to continued progress in reducing inequality and enhancing inclusiveness in the region.

Some instruments are of major importance, but others have limited reach. An example is the effect of financial sector deepening. Recent findings show that at early stages of development, financial sector deepening can aggravate inequality by mainly benefiting higher-income groups that already have financial sector access. But enhancing women's access to financial services seems to have played a role in reducing income inequality. There is also evidence from household surveys that even health and education spending are mainly benefiting the well-off, instead of facilitating access to the poor that are crucial to reduce inequality. Other structural features of SSA economies also appear to be associated with higher inequality. The region's continued high fertility rate limits the share of the working-age population, thereby postponing the expected "demographic dividend" in terms of lowering inequality. This underscores the importance of accelerating the demographic transition by raising investment in human capital.

African activities

Redistributive policies through taxes and transfers and government education spending will lead to reductions in inequality and do not adversely impact growth. Fiscal policy should focus on redressing the regressivity of taxes and expenditures.

1. Well-targeted expenditures on health care and education are needed.
2. Reform of tax systems: SSA is increasingly relying on value-added tax (VAT) revenues. VAT is by nature a regressive tax, but this is mitigated in many countries by substantial recourse to VAT exemptions and reduced tax rates for basic goods. However, this approach is a poorly targeted redistributive tool because most revenues foregone accrue to the better off. The progressivity of specific tax measures should be assessed taking into account the distribution of the benefits of the additional expenditure they finance. For instance, in some cases, a regressive tax may be the most efficient way to finance strongly progressive spending. Financial sector deepening alone could aggravate inequality. Therefore, it should be accompanied with reforms aimed at facilitating access to financial services for all. New technologies like mobile banking have the potential to facilitate access and should be complemented by other measures that reduce costs and enhance efficiency, such as establishing or strengthening credit and collateral registries.

Joint activities

3. Most important are investments in infrastructure. Access to basic infrastructure and utilities such as clean water and electricity to poor households, particularly in rural areas and for women will reduce regional inequality (see G20 Compact with Africa).

2. Reform Trade

The implications of reciprocal free trade agreements between the EU and the five subregions in SSA have been fiercely contested. The question remains, however, under which conditions benefits of the Economic Partnership Agreements (EPA) can outweigh their risks. The EU, the AU, the regional economic organisations and African states should ensure that the EPAs contribute to the realisation of the economic goals of the AU's 2063 Agenda.

So far, only one regional (EPA) has been ratified to date in SSA. The EPA with the Southern African group entered into force on 10 October 2016. Interim agreements with individual countries have been ratified by Côte d'Ivoire, Ghana, Cameroon, Mauritius, Madagascar, Zimbabwe, and the Seychelles. Difficult negotiations are ongoing at the regional level, with the East African Community (EAC) group being at odds on signing a regional EPA, as some members (Tanzania, Uganda) are willing to renegotiate while others (Kenya, Rwanda) are eager to sign and ratify.

The EU Communication published in May 2017 stresses that the EPAs should offer a stable and predictable framework for EU-Africa trade relations. The EU also offers support for the preparation of a continental free trade zone, but it is not quite clear to which extent EPAs enable or hinder its realisation. An in-depth analysis of the likely direct effects of the EPAs on African economies, their respective labour markets, and the promotion of intra-regional trade in Africa would be useful in putting the debate on a more objective footing.

The majority of the SSA countries have not been able to take many advantages of the Cotonou trade preferences because many African are not competitive and on the European side protectionism is widespread.Trade and market information is often not avalaible, and access to European markets is limited. These obstacles need to be removed if African countries are to achieve sustainable trade and economic development. This means that a debate is urgently needed on free and fair trade, on non-tariff-barriers, on the future of the Continental Free Trade Area (CFTA), and on the EU's agriculture and industry subsidies. This a wakeup call: the EU can no longer neglect the comprehensive disadvantages for African farmers and industries.

Given the huge challenges of structural transformation, trade policy activities should focus on:

African activities

4. Import tariffs: liberalisation will lead to reduction of import revenues (up to 30 percent of total revenues of governments). These losses are a huge burden for many African countries, which need to be addressed by governments by adapting their domestic tax systems.
5. Policies that deepen the complementarities between FDI and domestic investment should be promoted to ensure inclusive growth. Strong FDI linkages with the domestic economy can also result in a greater diffusion of knowledge, technology and know-how by the lead firms. In some middle-income and non-resource-dependent countries, an important channel for potential spillovers is the collaboration of foreign investors with local institutions, incl. local universities, research institutes and training institutes. Special funds of both partners will spur cooperation and enable necessary transfers, which will also benefit SME.

EU activities

6. In order to enable or easing exports and access of African entrepreneurs to European markets, both sides should establish Joint African-EU Business Centers in many SSA countries, and not only European chambers of commerce in African states. Their tasks is the strengthening of value

chains (adapting to international standards, norms), easing of market access for African companies, diffusion of information, networking, coaching, partnering and supporting African and European enterprises on their respective markets.

Joint activities

7. Intra-regional trade is of major importance. The EU can support all concrete activities by funding measures of countries which will open up their markets, incl. compensation for losses due to adjustment costs (EDF „Aid for Trade“-programme). Foreign and intra-regional trade can be suported through sustainable customs reform and modernisation support.
8. Supporting preparations for a Continental Free Trade Area (CFTA). SSA requires EU investments in the intra-regional infrastructure, with special focus of integrating poor countries, which will reduce continental inequality. Linking strong African countries with small and fragile low-income countries creates positive contagion effects. This adds to the G20 „Compact with Africa“ which is not benefitting low-income countries (Kappel, Reisen 2017). These measures will facilitate private sector industrial investments, incl. agro-food value chains in order to integrate farmers in remote areas into urban and intra-regional markets.

All measures will add to African competitiveness and beneficial participation in global markets, thereby reducing asymmetries. They will also support the development of internal markets which will help to create jobs and reduce poverty. The analysis also makes it clear that trade and trade policy is related to the ongoing African transformation process.

3. *Support structural transformation and inclusive development*

Sustained, sustainable, and inclusive growth is needed more than ever to respond to the aspirations of a growing and young population for better living standards and to provide opportunities and chances for millions of African workers. This would require huge reform activities at a time when unfavorable external conditions are pressing in most African countries.

In order to drive structural transformation in Africa, some policy prerequisites are seen as key: apart from political and macroeconomic stability, these are opening of markets, improvement of infrastructure, incl. roads, electricity etc., leading to the reduction of trading costs. Job creation in SMEs requires barriers to be removed. Regional economic integration is essential for Africa to realise its full growth potential, to participate in the global economy and to share the benefits of connected global markets. Institutional investments (for developing the infrastructure) and FDI can benefit Africa.[3] FDI, in turn, requires modern infrastructure, especially energy and connectivity, to fully deploy its external benefits.

Africa is tasked with industrialization and modernization of agriculture in order to create jobs and raise the level of income for the poor. More direct investments should flow into industry and agriculture. Only in this way can a sustainable growth occur, one that is characterized by the parallel and combined development of agriculture, agro-industry, light industry, industrial clusters and SMEs. Only then will the requisite number of jobs be created for the large number of unemployed.

[3] The “Compact with Africa” (2017) has suggested a great number of “‘policy commitments”’ for African partner countries that are deemed necessary to facilitate private infrastructure and corporateFDI, see Kappel, Reisen 2017.

Based on the analysis of trends and the channels that are expected to drive structural transformation in Africa, the following policy measures are key:

African activities

9. Macroeconomic and political stability and attractive general investment conditions are prerequisites for long-term growth. Regulatory quality and a positive overall institutional environment are important, not just for attracting FDI and stimulating domestic enterprises, but also for enhancing economic performance. Business and attractiveness indicators indicate that African countries have not fully utilised their potentials. Instruments such as export subsidies, duty drawback schemes and the like exist, but have only been effectively implemented in a few African countries.

10. Enhanced participation in GVCs has also been associated with more inclusive growth, especially when the sectors targeted are labour-intensive and employ relatively lower-skilled workers. Reaping the benefits of GVC integration requires a change in industrial policy. Shifting its focus from developing a national industry to upgrading in GVCs (identifying niche activities) is essential. African economies can benefit most by specialising in particular segments of a value chain. Governments can foster foreign firms to create linkages with the domestic economy and strengthen links with domestic suppliers. This could be achieved by introducing tax incentives, competitive fonds and local content requirements, including joint ventures.

11. Most important is a strategy of raising productivity and efficiency levels through industrial clusters. Economic and technological upgrading is no longer merely a consequence of ad hoc industrial synergies but rather becomes a pivotal factor influencing local innovation systems. Successful upgrading takes place primarily at the local level. Especially in connection with increased employment at enterprises that are integrated in networks, value chains and clusters, this model of growth in productivity and efficiency appears capable of contributing to the reduction of poverty. Supporting clusters through business services, better transport systems, training of qualified labour, cooperation with research institutions and access to electricity would help to enable connectivity and improve the competitiveness and innovative capacities of SMEs. Improving job creation in SMEs requires barriers being removed, enabling SMEs to grow while supporting young people to become entrepreneurs and create their own jobs. Start-up programmes, funds for young entrepreneurs, easier access to finance, pro-active support programmes for SMEs and business services can drive innovation and job creation.[4]

12. Informal firms can grow when they no longer face their main constraints (i.e. limited access to finance, electricity, and land). Informal enterprises are an important component of the economy—providing jobs for the large and growing working-age population. Therefore, policies should foster the productivity of informal enterprises rather than policies to increase tax revenues collected from these enterprises.

European activities

13. In the light of the huge challenges regarding structural transformation, competitiveness, unemployment, and trade related GVC, there is the fundamental challenge that African countries largely lack highly qualified labour. This can partly be tackled by fostering long-term cooperation

[4] One should bear in mind that many industrial strategies – in particular the establishment of technology and industrial parks and SEZs – have not been very successful in Africa, either with regard to job creation or technology development. Those experiences should be carefully evaluated.

in education: on the one side, it is necessary to offer ten thousands of scholarships every year for African students for their studies in Europe (lesson to be learnt from China), and on the other side to help upgrade universities, applied universities, joint European-African universities and research institutes. Boost research and university cooperation should be related to business sector. The German DAAD model of *Country/In Region Scholarship Programme –Strengthening Higher Education and Research in Africa* could be regarded as a European role model. The DAAD model also supports radiation of intra-African cooperation of universities, and collaborative research, incl. mobilisation of European and African expertise in research and innovation.

Joint activities

14. EU and Africa should foster joint activities of African and European companies, incl. incentive and competitive funding systems for technology and knowledge transfer. Special competitive funding program for European SMEs and medium sized African enterprises should be launched.
15. African countries and the EU should undertake continued efforts - on the African side supporting local investors and FDI, and on the European side facilitating their enterprises to invest in Africa. For example, the German Marshall Plan with Africa focuses on investment incentives for German companies. Moreover, African states, together with the EU, may consider establishing an African –EU investment guarantee mechanism to enable European enterprises to invest in African states without undue fear of bankruptcy.

Some of these economic policies have been formulated in many countries and are documented in strategy papers of the AU, UNECA, regional bodies and national governments, with respective concrete measures, funding and capacity building activities. African governments are in the driver's seat. The EU can support and should support African governments and not supersede and push aside African initiatives. The EU – Africa cooperation is in need of a strategic cooperation that ends disadvantages and asymmetries. This includes the phasing out of aid-driven cooperation and should pursuit a paradigm shift and learning from EU strategic cooperation activities with China and other emerging countries. JAES and successive roadmaps formulated good intentions and have also resulted in some useful projects and programmes, but the political and economic African environment has changed. There are new external challenges, new actors and deep changes in the globalisation process, which makes it necessary to redefine the EU-Africa agenda. Africa –EU economic and development co-operation objectives (poverty alleviation, sustainable and inclusive development, employment, reducing asymmetries and inequality) may not be achieved unless all key partners address the challenges of structural transformation and trade relations between the two continents.

As Africa seeks to claim the 21st century, it should diversify its economies from commodity production to the industrial sector, and to small and medium scale industries that create jobs and add value to the production chain. The major challenge in many developing countries is to create jobs in sufficient quantity and quality (decent jobs) to meet the needs of the labour force. Reducing inequality requires policies that foster dynamic structural change. Inclusive and sustainable development can be achieved with an integrated policy framework with growth-promoting and job-generating macroeconomic policies and industrial policies. More broadly, to increase the chances of SSA countries catching up with developed countries and reduce inequality, coherent macroeconomic, industrial, trade, environmental and social policies that reinforce each other should be implemented. Joint activities of EU and SSA can set the course.

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